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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001843

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [KCOR](#) [IZ](#)  
SUBJECT: COUNCIL OF REPS BALKS AT BUDGET SUPPLEMENTAL  
TACTICS

REF: A. BAGHDAD O/I (06/05/08)  
[1](#)B. BAGHDAD 1578

Classified By: Economic Minister Counselor Charles P. Ries for reasons  
1.4(b) and (d)

[1](#)1. (C) Summary and comment: Government spending in Iraq needs to be authorized by the Council of Representatives (COR). Only one supplemental spending bill, that to establish DPM Salih's Higher Reconstruction Committee and provide it with USD 5 billion for unspecified projects, has been submitted to the COR according to a COR Member on the Finance Committee (Ref A). This bill's lack of specificity, automatic 17 percent for the Kurdish Regional Government, and short-circuited submission (i.e. without Economic Committee or Finance Committee discussion), has engendered opposition in the COR. Other spending bills, such as the 2008 budget supplemental, a civil service pay raise, and funding for the Ministry of Electricity to purchase fuel oil had not yet been submitted. The COR is "anxious" to help the GOI spend its budgetary windfall, but is also intent on playing an active role in making sure that money for reconstruction ends up benefiting the Iraqi people. According to one COR Member, the Iraqi people are getting increasingly frustrated with hearing how rich Iraq is when they do not feel the benefits of its wealth. We interpret the COR's firmness on budget issues as a sign of Iraq's growing democratic health. End summary and comment.

[1](#)2. (C) Council of Representatives Finance Committee member Ala'a Alsadon (IIP, Sunni) told Econoff June 11 that government spending in Iraq must be authorized by the COR, but the only supplemental budget spending bill that the COR has received to date was the controversial USD 5 billion Higher Reconstruction Committee plan (whose major proponent is DPM Barham Salih) that had its first reading on June 3 (Ref). Alsadon noted that many members of the COR continue to oppose this spending bill on principle since it does not specify how the funds will be spent. Alsadon, noting that her husband Naseer Al-Ani is a member of the Presidency Council secretariat, also expressed concern that the Council of Ministers (COM) had begun to spend reconstruction funds without the approval of the COR. The COM is using unapproved money to build 100 schools in Baghdad. (Note: The Iraqi newspaper Al-Sabah reported on June 11 that the COM agreed to build 100 schools in Baghdad. End note.) "This is a problem," she said, "Not because they are spending money that needs to be spent, but because we haven't approved it yet."

[1](#)3. (C) In the wake of the controversy surrounding the submission of the Higher Reconstruction Committee's spending bill, the COR Finance Committee met with the Ministry of Planning and Development Cooperation (MoPDC) and the Board of Supreme Audit (BSA). Both the MoPDC and BSA agreed that the COR had a responsibility to know what projects supplemental budget funds would be spent on. "We will not just say yes without knowing how they will spend the money," she reiterated.

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Barham's Higher Reconstruction Committee:  
Down, but not Out

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¶4. (C) In a separate meeting on June 11 with COR Economic Committee staffer Sadick al-Husseini, Econoff was told that the bill to fund DPM Barham Salih's Higher Reconstruction Committee would likely have its second reading during the week of June 15. Members of the Economic Committee had told the COM that the COR had two conditions for the passage of this bill. The first condition was that the COR should be told what specific projects the USD 5 billion would be spent on. The second condition was in response to COR concerns about the 17 percent automatically set aside in the bill for the Kurdish Regional Government (KRG). To satisfy the COR, the KRG would need to explain what the 17 percent would be spent on and not be eligible for any more of the Higher Reconstruction Committee's spending even if the spending is on "national projects." Al-Husseini expected that the COM would be able to satisfy the first condition, but that the second would be "problematic."

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"Anxious" to Spend Money to Rebuild Iraq  
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¶5. (C) Alsadon said that the COR Finance Committee and members of the COR are "anxious" to approve spending bills to aid in Iraq's reconstruction so long as they know what the money will be spent on. For instance, she expected that a USD 500 million emergency fuel bill for the Ministry of Electricity would be quickly approved.

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¶6. (C) Other spending bills that the COR Finance Committee was "aware of" but had not yet seen submitted by the COM was the 2008 budget supplemental bill, a bill to raise civil service pay, and a Ministry of Trade supplemental to provide additional funds for the Public Distribution System (PDS). The COR needs to approve these types of spending, she added.

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If Iraq is a "Rich Country," Where's the Money?  
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¶7. (C) Alsadon, a high school teacher before her appointment to the COR, said that Iraqis keep hearing from their government that Iraq is a "rich country." But the average person on the street does not benefit at all from Iraq's wealth. "We are poor. Even Jordanians and Syrians live better than us." Iraq's problem is corruption and ineffective government. Iraqis accept that there will be a certain amount of corruption, but the longer they go without starting to have any benefits the angrier they will get at the government since they will assume that Iraq's wealth has all ended up in the pockets of its leaders, she said.

¶8. (C) Explaining the difficulties of budget execution, Alsadon gave the example of the Ministry of Health. Up until recently, she said, the Minister of Health was unable to even get to his office at the Ministry due to militia control of the building and its neighborhood. Further complicating administration at the Health Ministry, was the fact that some of the Ministry's Heads of Departments appointed by COM officials were neither experienced government officials nor health professionals. She gave the example of two officials, one of whom had been a butcher and the other an auto mechanic prior to their appointments, who were given their jobs based on their political affiliations. These types of nonprofessionals take advantage of their positions simply to make themselves rich, she said.

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COMMENT  
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19. (C) Granted we should not hang too much on the words of a single opposition COR member and a single COR Committee Staffer, but we have heard similar sentiments on the Barham USD 5 billion from Chairman of the COR Finance Committee Chairman, Ayad Samarraie, (Ref B) and Economic Committee Co-Chair Yonadam Kanna (Ref A). Taken together with the vigorous debate on the floor of the COR regarding the proposed supplemental spending on June 17, and indeed the much delayed passage of the FY 2008 Iraqi budget, we can see a Council Of Representatives that is starting to act like a co-equal branch of government. This is the new reality in Iraq and it is to be welcomed -- and to be taken into account by GOI spending ministries. If as a policy matter the USG wishes for the GOI to speed its the rate of capital budget execution, it would behoove us to ensure that Iraqi ministries not take COR approval as merely a rubber stamp, as seems to be their wont.

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